



# Board Charter

Afterpay Limited  
February 2021

## 1. Purpose of Charter

This Charter sets out the role, responsibilities, composition, structure and processes of the Board of Afterpay Limited (**Company**).

These matters are also governed by the Company's constitution, the Corporations Act, the ASX Listing Rules and general law.

## 2. Role and responsibilities of the Board

The primary role of the Board is to demonstrate leadership, provide overall strategic guidance, and provide effective oversight of both management in implementing Afterpay's objectives and instilling its values, and Afterpay's performance generally.

To perform its role, the Board has reserved for itself the key responsibilities set out in **Attachment 1**.

## 3. Board composition

The Board will be structured so that its membership provides the mix of skills, knowledge, experience and diversity to enable it to discharge its responsibilities and add value, and its size facilitates effective discussion and efficient decision-making. The Board will determine its size and composition, subject to the Company's constitution and the law.

The Board will comprise a majority of independent non-executive directors.

### Independence of directors

The Board will assess the independence of each non-executive director prior to appointment and then annually. Each director is required to provide the Board with all relevant information to enable it to make this assessment.

The Board defines an independent director as a non-executive director (that is, not a member of management) who is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Afterpay as a whole rather than in the interests of an individual shareholder or other party.

When assessing the independent status of a non-executive director, the Board will consider a range of relevant factors, including those set out in the ASX Corporate Governance Principles and Recommendations (4th Edition) (**ASX P&R**).

The Board may determine that a non-executive director is independent notwithstanding the existence of an interest, position or relationship referred to in the ASX P&R. In such a case, the Board will outline the reasons for making its determination in its annual governance disclosures.

If there is a change in a non-executive director's interests, positions or relationships, the director must inform the Board. If the Board determines that a director's status as independent has changed, that determination will be promptly disclosed to the market.

### Selection, appointment, re-election and tenure

The Board will establish general processes for the selection and appointment of new non-executive directors and the re-election of incumbent non-executive directors, but may adopt a flexible approach depending on timing and circumstances.

A written agreement will be entered into with each new non-executive director that sets out the key terms and conditions of their appointment.

A new director appointed by the Board is subject to election at the Annual General Meeting (**AGM**) following their appointment.

The tenure of the first appointed CEO as a director is linked to that CEO's executive office. Under the Company's constitution, no other director may hold office without re-election past the third AGM following their appointment, or three years, whichever is longer.

Prior to each AGM, the Board is to determine whether it will recommend to shareholders that they vote in favour of the election or re-election (as the case may be) of each non-executive director standing for election or re-election, having regard to any matters the Board considers relevant, including the director's performance and length of tenure.

#### **Induction and training**

Each director will be offered an induction program on appointment and is expected to undertake ongoing education and training to maintain the skills and knowledge required to perform their role effectively. The Chair will periodically review whether there is a need for the Board to undertake professional development, and whether the Board collectively has the skills, knowledge and experience to deal with new and emerging business and governance issues.

#### **4. Board committees**

The Board may from time to time establish committees of directors to assist it in the discharge of its responsibilities and to allow detailed consideration of complex issues. Each committee will operate under a charter, approved by the Board, which sets out the role, responsibilities, composition, structure and processes of the committee.

The Board will appoint the Chair and members of each committee. Over time, directors may rotate on and off committees taking into account the needs of the committees and the experience of individual directors. The authority of each committee is as expressly stated in its charter or as otherwise authorised by the Board.

The Board will periodically review the appropriateness of the committee structure, as well as the membership and the charter of each committee.

The Board may also delegate specific functions to ad hoc committees on an "as needs" basis. The authority delegated to these committees is set out in Board resolutions.

#### **5. Role of the Chair**

The Board will appoint the Chair. The Chair must be an independent non-executive director.

The role of the Chair is to lead the Board, facilitate the effective contribution of all directors, promote constructive and respectful relations between the Board and management, and ensure the efficient conduct of the Board's function. The Chair will guide and promote the ongoing effectiveness and development of the Board and individual directors.

#### **6. CEOs and management**

The Board delegates responsibility for the day to day management of Afterpay to the Chief Executive Officers (**CEOs**) and through the CEOs to other members of executive management. The Board may impose specific limitations on the delegation of authority from time to time.

The CEOs will consult with the Chair and the Board regarding matters that the CEOs consider are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board regardless of value.

The Board expects management to provide it with accurate, timely and candid information, and clear, concise and reasoned decision papers. The Board has access to management and rights to seek explanations and additional information from management (within and outside of Board meetings).

#### **7. Company Secretary**

The Board will appoint the Company Secretary. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

All directors have access to the Company Secretary.

#### **8. Board meetings**

The Board will meet as often as necessary in order to fulfil its role. A Board meeting schedule will be determined prior to the commencement of each calendar year. Additional meetings may be convened if matters requiring immediate consideration arise between scheduled meetings. The Board may meet periodically without the CEOs or other management present.

Board meetings and proceedings are governed by the Company's constitution.

Directors are required to be fully prepared for each Board meeting. Directors may attend in person or participate by videoconference or other electronic means.

Unless the directors decide differently, three directors constitute a quorum.

#### **Agenda and documentation**

The agenda for each meeting will be determined by the Chair, the CEOs and the Company Secretary. Any director may request that a particular item be added to the agenda. The agenda and documentation are to be distributed to directors within a reasonable time prior to each meeting.

Every possible effort will be made to ensure that papers tabled at a Board meeting will be made available to all directors participating, regardless of location.

Minutes of each Board meeting will be prepared by the Company Secretary, approved by the Chair in draft and made available to all directors as soon as practicable (and within five business days). The minutes will be approved at the next Board meeting and then signed by the Chair.

### **9. Director conduct**

Directors will act with honesty and integrity and will observe the highest standards of ethical and responsible behaviour. Each director is bound by Afterpay's Code of Conduct, their appointment letter and all applicable Afterpay policies.

#### **Conflicts of interest**

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interest. Under the Company's constitution and at law, directors must disclose any conflicts of interest and abstain from participating in any discussion or voting on matters in which they have a material personal interest.

The following procedures are to be followed by a director who believes they may have a conflict of interest or material personal interest:

- the director must disclose to the Chair and the Board any actual or potential conflict or material personal interest which may exist, or might reasonably be thought to exist, as soon as it arises;
- a determination as to whether or not a conflict exists will be made, and if necessary this determination will be made by the Board (excluding the potentially conflicted director); and
- an appropriate course of action will be set based on the determination made, and such action may require the conflicted or interested director to absent themselves when the Board discusses and votes on matters to which the conflict or interest relates.

### **10. Access to independent professional advice**

The Board has authority to conduct or direct any investigation required to fulfill its responsibilities and has the ability to retain, at Afterpay's expense, such independent professional advice as it considers necessary from time to time in the performance of its duties.

Each director has the right to seek independent professional advice at Afterpay's expense, subject to prior consultation with, and the consent of, the Chair (or in the case of a request by the Chair, the consent of another non-executive director). A copy of the advice must be provided to the Board except where this would result in unreasonable prejudice to the director seeking the advice.

### **11. Performance evaluation and Charter review**

The Board will undertake an annual evaluation of its performance, including its performance against the requirements of this Charter, the performance of individual committees and the performance of individual directors. The assessment may be facilitated by an external consultant.

The Board will periodically review this Charter to determine its adequacy for current circumstances and approve any material amendments.

## Attachment 1 - Key Board responsibilities

### Leadership

- Define Afterpay's purpose and set its strategic direction
- Set the tone from the top, including by approving Afterpay's values and Code of Conduct
- Appoint and, should it be necessary, remove any CEO
- Appoint, if required, a deputy Chair and/or senior independent director
- Whenever required, challenge management and hold it to account
- Provide advice and counsel to management on a periodic and ad hoc basis

### Strategy

- Approve, and oversee management's implementation of, strategic objectives and business plans
- Approve, and monitor the progress of, major business initiatives in excess of management's delegations (including major capital expenditure and capital management initiatives, acquisitions and divestments)
- Make decisions in relation to significant matters of a sensitive, extraordinary or strategic nature

### Governance

- Monitor the effectiveness of Afterpay's governance practices
- Approve key governance policies and the annual Corporate Governance Statement
- Approve delegations of authority to the CEOs and oversee CEO delegations to management
- Ensure that an appropriate framework exists for relevant information to be reported by management to the Board
- Oversee the process for complying with Afterpay's continuous disclosure obligations and making timely and balanced disclosure of material information
- Determine Board composition and approve the appointment of non-executive directors
- Drive Board succession planning to ensure membership of the Board reflects Afterpay's needs
- Assess the performance of the Board, its Committees and each non-executive director
- Determine the remuneration of the Chair and other non-executive directors and the maximum aggregate level of fees
- Approve non-executive director minimum shareholding guidelines
- Monitor the conduct of Afterpay's relationship with key regulators

### Finance

- Oversee Afterpay's financial position and monitor financial performance
- Approve Afterpay's annual operating and capital expenditure budgets
- Approve Afterpay's full year and half year financial reports and associated results releases
- Oversee the integrity of Afterpay's accounting and corporate reporting systems, including the external audit, in order to ensure the integrity of financial and other corporate reporting
- Appoint and remove the external auditor
- Approve the Treasury Policy and Capital Management Plan
- Oversee the tax risk management framework

### Risk and compliance

- Set Afterpay's risk appetite and approve its risk appetite statement
- Monitor the effectiveness of the risk management framework (for both financial and non-financial risks) and whether Afterpay is operating with due regard to the risk appetite statement
- Approve any changes to the risk management framework and approve key policies that support the framework
- Assess Afterpay's risk culture
- Require appropriate compliance frameworks and controls to be in place and operating effectively for compliance with relevant laws and regulations
- Monitor significant litigation in which Afterpay is involved

### People and remuneration

- Approve the appointment of other executive key management personnel (**KMP**)
- Approve succession plans for the CEOs, other executive KMP and other senior executives as required
- Approve Afterpay's remuneration framework and policies and ensure they are aligned with Afterpay's purpose, values, strategic objectives and risk appetite
- Approve the remuneration of the CEOs, other executive KMP and other senior executives as required
- Evaluate the performance of the CEOs and review the CEOs' evaluation of the performance of other executive KMP and other senior executives as required
- Approve the key accountabilities and performance measures for the CEOs, other executive KMP and other senior executives as required
- Approve major changes and developments to management programs to optimise the contributions of Afterpay's employees to support and further corporate objectives
- Approve any new, or material amendments to any existing, employee incentive plans including, but not limited to, equity-based plans
- Approve matters in respect of the STI and LTI plans (including overall STI plan payments, LTI offers and any vesting outcomes)
- Approve the annual remuneration report
- Approve Afterpay's Diversity and Inclusion Policy
- Approve, and monitor progress in achieving, annual measurable objectives for achieving diversity

### Other

- Oversee key workplace policies for consistency with Afterpay values, and review any material matters of concern raised by employees
- Oversee Afterpay's workplace health and safety measures and appropriate due diligence to ensure compliance with relevant laws and regulations
- Foster a culture of 'doing the right thing' and compliance with the highest legal, ethical and responsible standards and business practices
- Perform other functions prescribed by the Company's constitution, the law and regulations